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FOREIGN AGRICULTURE

FEBRUARY
1959



Harvesting tomatoes on the west coast of Mexico

Near East's Farm Surpluses and Deficits

Winter Vegetable Trade With Mexico and Cuba

Tariffs and the Common Market

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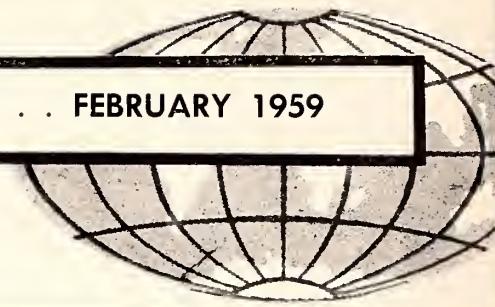


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FOREIGN AGRICULTURE

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To report and interpret world
agricultural developments.



USSR Supplies A Missing Link

About 2½ years ago, we commented in this column that figures on actual crop production remain a missing link in the increased availability of statistics being released by the Soviet Union.

Apparently that country has had a change of heart, for at last those figures are being released to the world. Recently, for example, Soviet Prime Minister Khrushchev reported total production of grains, including wheat, for 1958. Previously, the Soviets had published production figures on milk and meat.

It is true these newly released figures, including the grain production figure of 139 million metric tons, cannot be accepted at face value; much of the supporting detail is still lacking. The Foreign Agricultural Service has always found it necessary to examine foreign production figures carefully, and sometimes make adjustments to achieve greater statistical comparability. Nevertheless, it is significant that the Soviet Union has finally seen fit to release tangible information on its important crops, thereby giving the world a fuller view of its agricultural position.

Cover Photograph

Foreign production of winter vegetables for the U.S. market began on Mexico's west coast half a century ago. Today, it is a several-million-dollar-a-year industry not only for Mexico but for Cuba too. (Photograph courtesy of CAADES.)

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The Near East's Farm Surpluses and Deficits

By AFIF I. TANNOUS
Africa and Middle East Analysis Branch
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SHORTLY AFTER World War II, the Near East region embarked upon an era of expanded economic development, with agriculture receiving the major share of the effort. This rapid expansion made available more food and fiber for home consumption and greater amounts for export to earn badly needed foreign exchange. But, in the last few years, the problem of agricultural surpluses has begun to press on some of these countries. They now find themselves unable to dispose of all their surpluses in world markets and are feeling the impact upon their economies.

This situation has already provided the Communist countries with opportunity for economic penetration in the area. Through combined deals of trade and aid they have capitalized upon the great need of Egypt and Syria to dispose of their critical cotton and grain crops, and they attempted to penetrate Sudan through its unsold cotton in 1957-58. Currently, they are working on Iraq and Yemen through possible purchases of dates, grains, hides and skins, and coffee.

Agriculture dominates the economies of these Near East countries. Industry is light, and still in its first stages of development. Oil is a significant source of income only in Iraq, Saudi Arabia, Kuwait, and Bahrein. Farm exports are the big earners of foreign exchange, and these are being empha-

sized at the expense of living standards. Except for Israel, levels of food consumption in this area are quite low; in fact, it might even be said that many of the commodities shipped abroad are "hunger exports."

Short-range Outlook

In all of these countries the largest areas are devoted to grain production. Grains form the basis on which the majority of the people and part of the livestock live. They are supplemented with pulses, vegetable oils, fruits, and very limited quantities of dairy products and meats. From this subsistence base, each country has endeavored to develop specialty export surpluses. Leading among these are: Cotton, Egypt, Sudan, and Syria; bread grains, Syria and Iraq; rice, Egypt; dates, Iraq; apples, Lebanon; wool, Iraq and Syria; coffee, Yemen; citrus, Israel and Lebanon; olive oil, Syria, Jordan, and Lebanon; and gum arabic and oilseeds, Sudan.

These are critical export items, for their earning power supplies the various countries with foreign exchange for economic development. Their situation this year appears to be as follows:

Cotton.—Egypt, Sudan, and Syria are the area's most important producers and exporters of cotton. The first two export mainly extra long staple cotton, and Syria, the upland type. In 1957-58,

total production of the three countries amounted to 561,000 metric tons. For 1958-59, it is estimated at 693,000 tons.

In the 1957-58 season, Egypt and Syria partly met the problem of their cotton surpluses by shifting much of their trade, as they had done the previous year, from traditional markets in Western Europe to the markets of Communist countries. Through trade and aid deals with these countries, Egypt disposed of 61 percent of its total cotton exports and Syria 51 percent. Sudan, however, shipped only 6 percent of its cotton exports to Communist countries, despite the threat of economic collapse, and tried to solve its problem by lowering its cotton reserve prices and export duties.

The same pattern is likely to prevail this season. Egypt and Syria (now joined as the United Arab Republic) will send a substantial part of their cotton exports to the Communist countries. Sudan again is having a very difficult time. As for 1959-60, it is unlikely that any of these countries will significantly reduce their production since cotton is their export crop par excellence. Egypt will probably maintain its current levels. Sudan may even increase its production because of large irrigation schemes that are being realized progressively. Syria too has good potential but its irrigation schemes are not advanced far enough to show sig-

nificant increases by 1960.

Wheat.—Wheat is a leading export only in Syria. Syria disposed of its 1957-58 surplus mostly by sales to the Communist Bloc and to Egypt. Its 1958 crop was down because of drought. Iraq is self-sufficient in wheat and an exporter only in good years. All the other countries grow wheat but usually have to import sizable amounts.

No wheat surpluses are expected anywhere in the area for the 1958-59 season, so that Egypt will have to look elsewhere for its wheat needs. But by 1959-60, with a normal crop, Syria should have sufficient surplus to meet half of Egypt's requirements; and given good weather, Iraq may have a small exportable surplus again that year. The rest of the area will depend on imports as usual.

Barley.—This is the second most important grain in the region and is exported by both Syria and Iraq, mainly to Western Europe. Syria has been able to dispose of most of its barley, and will probably do so again in the 1959-60 season. Iraq has carried over a big surplus into the current season and by 1959-60 could find its problem accentuated. This it may try to solve by directing its trade "eastward."

Apples.—Lebanon is the only country in the area that produces apples for export. The industry has developed rapidly in the last 10 years; by 1957-58, production had reached 35,000 metric tons and exports 24,000 tons. But during that season Lebanon found it difficult to sell its apples because Egypt, a heavy buyer, had closed its market to Lebanese apples. The 1958-59 crop appears to be considerably larger, so if Egypt does not reopen its market, Lebanon will be in serious trouble. The situation may get worse as more orchards begin to produce.

Citrus.—Citrus is the main pillar in Israel's economy, and so far Israel has not encountered much difficulty in selling its growing citrus surplus. Still, the crop is critical. Damage to the established markets through growing competition would be quite distressing to Israel's finances.

Dates.—Iraq is the world's leading exporter of dates, which account for some 18 percent of the country's total

exports. The date industry is well organized, and the market demand abroad has been steady. The only pending possibility is that the new Iraqi regime may shift the trade toward the Communist Bloc, although there is no date surplus this year.

Coffee.—Yemen is the only producer and exporter of coffee in the area. The crop brings in most of the country's foreign earnings, with the principal markets in the United States and Italy. It looks now, however, as though Yemen will tie up its coffee exports with the Soviet Union and Communist China as the result of recent trade and aid agreements.

Long-range Outlook

Any observations about the future must be regarded as only rough indications of trends that are likely to continue or to emerge in the next 10 to 15 years. But it is safe to say that the rapid rate of increase in agricultural production will continue. Land and water constitute by far the most important physical resources of the area, so even if the population continues to mount, it is very possible that output will keep abreast of population needs, even at increased levels of consumption. Specific countries differ markedly, however, with Egypt representing the unfavorable end of the scale, and Sudan and Iraq the opposite extremes.

Also, the nationalistic urge for economic development will continue to dominate the region. This will mean a continuation of current policies aimed at greater agricultural exports to pay for development projects. The trend will be tempered somewhat by internal demands of expanding industries. Further, it will be affected by some shifts toward diversification of agriculture to meet needs created by higher living levels. But the great specialty export surpluses of the area will still be available, and some of them will still constitute a problem.

Egypt and Syria are going through the process of integrating their economies, which will probably result in a thorough adjustment of agricultural output in the two regions to meet the needs of the whole. But the normally large surplus of Egyptian long staple



By James O. Howard

Harvesting wheat in Syrian region. Surplus is usually disposed of by sales to Communist Bloc and Egypt.

cotton is likely to continue and may even be increased if the High Aswan Dam is completed. Similarly, the substantial upland cotton supplies of Syria will continue to be available, though further increases may be absorbed domestically. Finding markets for these surpluses, as mentioned earlier, has been solved by selling to the Communist countries. If, on the other hand, Egypt and Syria should orient their trade westward, the situation would be indeed serious for all concerned. The supply of cotton in the Free World has increased beyond demand, and the competition for markets has become much keener.

Syria's grain surplus does not present such a problem. Not only will it be absorbed by Egypt, but that country's demand for other food crops may lead Syria to further diversify its farm production. Also, the land reform that is now being carried on in Syria may shift the emphasis from export to home consumption.

Sudan will undoubtedly have cotton troubles too. Not able to find markets now, Sudan will face a critical situation when its vast irrigation projects are completed and cotton production has mounted. Much of this newly irrigated land could be used to produce a variety of food crops as well as for livestock, but a shift to a broader agricultural base would take



Bales of Sudanese cotton piled up for shipment. Cotton is biggest money-maker in Sudan, Egypt, and Syria.



Above, apple orchards in Lebanon. This country is only one in area that grows apples for export market.



a long time to achieve successfully. In the meantime, the country must find markets for its large cotton exports, and therefore, continued Communist offers of trade and aid may be increasingly tempting.

In some respects, the outlook for Iraq is similar to that for Sudan. It too has great potential for expanding its agricultural acreage; also, it has under way large-scale schemes for flood control, drainage, irrigation, and power development. But unlike Sudan, it has a dependable source of foreign exchange in its substantial oil reserves and an additional source in its world-famous dates. Nevertheless, the country may have difficulties in disposing of its grain surpluses. Barley is the problem at present, but wheat could become one and so could cotton, as Iraq's irrigation schemes begin to pay off.

Iraq could move toward more diversified crops, industrialization, and higher levels of consumption. Its recent land reform law, if implemented effectively, would permit such a trend. Still, Iraq may persist in a policy of greater surplus production, seeking new outlets in Communist markets. It already has trade agreements with the Soviet Union and East Germany.

The apple and citrus crops of Lebanon are minor contributions to world production, yet are quite important to the Lebanese economy. The country has depended mainly on traditional markets in neighboring countries and now is beginning to feel insecure in such dependence. But in seeking markets in Eastern and Western Europe it finds itself handicapped by obsolete marketing practices and growing competition from European production. Lebanon must find an answer to this to avoid a serious economic setback—particularly since this crowded, mountainous country has limited agricultural potential and must import both grain and livestock.

Like Lebanon, Israel is densely populated in relation to its arable land, and so must depend upon imports of

Left, picking oranges in Israel. Citrus goes to well-established markets in Western Europe and provides the principal support for the country's economy.

bread and feed grains and other basic items. But Israel's citrus crop, which is the mainstay of its economy, goes to well-established markets in Western Europe. With the increased production planned for the next 10 years, there may well be disposal problems.

Struggling with a chronic and weighty refugee burden, Jordan will continue to exist on a marginal agricultural base. In good years, there will be some surpluses of grains, olive oil, and other items; in bad years, imports will be necessary.

Yemen is favorably located and has good land for various crops. Its traditional system of terracing and irrigation is sound, so that the land will produce enough for the people's needs. Coffee, the only important export item, has ready markets and is not likely to run into difficulties. A problem might develop if Yemen were to break away from its traditional pattern to embark upon modern economic development. (It has already accepted substantial technical and economic aid from Russia and Communist China.) Coffee production might be expanded, and the question of finding suitable markets for increased volume would arise.

The rest of the Arabian Peninsula, especially Saudi Arabia, which has the largest area and population, will depend more and more on substantial imports of grains and other foodstuffs. Oil revenues are abundant and will take care of these and of any economic development, if used effectively. And there will be no significant agricultural surpluses that might constitute an export problem.

Taking stock of the region's agricultural potential as a whole, one might summarize the outlook as follows: The wheat and barley surpluses of Syria and Iraq plus the rice surplus of Egypt could meet the regional deficits of these commodities. The livestock surpluses of Sudan, Syria, and Iraq could meet the needs of Egypt, Israel, and Lebanon. But for the large and mounting surpluses of citrus, apples, and cotton, foreign markets will still be needed. The underlying assumption, of course, is that political and economic relations would permit trade to function smoothly within the region. Such is not the case today.



Western Ways

Picking staked tomatoes on west coast of Mexico. Tomatoes make up the biggest part of our winter vegetable imports.



CAADES

Boxes of tomatoes waiting transportation to sorting plant. Industry provides seasonal jobs for Mexican workers.

Our Winter Vegetable Trade With Mexico and Cuba

By A. CLINTON COOK
Fruit and Vegetable Division
Foreign Agricultural Service

THE AMERICAN HOUSEWIFE who drives through snowdrifts to her supermarket and comes home with ripe tomatoes, fresh cucumbers, or green peppers probably assumes that these out-of-season products were grown in Florida, Texas, or California. But they could very well have been shipped from across the border in Mexico or even from Cuba, for in both countries the growing of winter vegetables for marketing in the United States is an important industry.

Mexico grows about 50,000 acres of vegetables for export and Cuba, about 7,000 acres. Total earnings in 1957 were \$11 million for Mexico, \$2 million for Cuba. And because vegetables require more labor than most crops, the industry gives employment to thousands of seasonal workers.

Production of winter vegetables for export to the United States started on the west coast of Mexico at the turn of the century. Early efforts were

handicapped by poor transportation. Shipments by nonrefrigerated boats to Los Angeles and San Francisco were generally unsatisfactory. The first rail shipments started in 1912, but it was not until after World War I, when refrigerated cars became available, that the industry boomed. By the late twenties, more than 6,000 cars moved northward each season.

Despite a decline in the 1930's, the industry has continued to grow. The railroad along the west coast of Mexico has been modernized, so that cars from the production areas reach Nogales on the border in 27 to 48 hours. Improved roads now permit the use of refrigerated trucks. A Mexican tractor hauls the trailer to Nogales, where an American tractor picks it up.

Cuba has also benefited from improved transportation. Trucks haul the produce to Havana where it is loaded on rail ferry for West Palm Beach, Florida, or on refrigerated steamship

to New York. Vegetables from the Isle of Pines are trucked to the port, and from there they go by steamship to the south shore of Cuba, by rail to Havana, and by car ferry to Florida.

Winter vegetables from Mexico and Cuba compete with those grown in Florida, south Texas, and southern California. Yet sometimes they complement our production. Regardless of where they are grown, winter vegetables are an extremely hazardous venture. They are affected by frosts, excessive rains, insects, and various plant diseases. Yet if yields from all areas, that is, from Mexico, Cuba, and the United States, are good, the output is more than the U.S. and Canadian markets can consume. This leads to low prices and the abandonment of part of the crop.

Usually, however, there is some damage to the crops in one or more of the production areas. In the 1957-58 season, frost and rain damaged the Florida and Texas crops, and so excessive was this damage that Cuba and Mexico could not supply the U.S.

The principal vegetables grown for export from Mexico are tomatoes, watermelons, green peppers, peas, onions, and a few others which are usually shipped in mixed truckloads. Garlic also comes from Mexico, but it usually complements our production because it is harvested much earlier.



CAADES
Mexican women sort tomatoes on moving belt. Mexican and Cuban packing sheds are equipped with U.S.-made machines.

Cuba's principal crops are tomatoes and cucumbers; watermelons, eggplant, and okra are grown to a very limited extent.

Mexico's biggest export acreage is in the irrigated valleys along the west coast. Culiacán Valley, the largest vegetable area, is farthest away from Mexican centers of population, so most of the production is intended for the U.S.

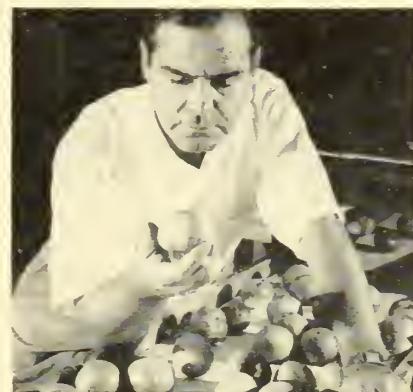
The fast, modern transportation methods have permitted a new development in winter vegetable production—the growing of "staked, vine-ripened" tomatoes. In Cuba, these are grown on plants trained to a single stem; in Mexico the plants are not pruned. They are harvested each day just as they are turning pink. An acre of "staked" tomatoes will yield 4 to 5 times as many marketable tomatoes as an acre of "ground" tomatoes, since they are planted 1 to 1½ feet apart, with only 4 feet between the rows. Ground tomatoes are planted 3 feet apart, with 6 to 9 feet between rows.

Most of the Mexican and Cuban vegetables are packed in packing sheds equipped with U.S.-made grading and sizing machines. (In Culiacán, most of the equipment is the very latest.) The same type of package is used as in the United States. Cuban growers import nearly all their packages; Mexicans make their bags and boxes and import only the 60-lb. wire-bound crates.

All of the Mexican tomatoes and
(Continued on page 22)



Photos courtesy Western Ways
Mexican vegetables are shipped by rail and truck but several years ago floods forced growers to resort to planes.



Above, regrading tomatoes at border.
Right, fleet of refrigerated trucks at repacking plant in Nogales, Arizona.



CAADES



Latest development is staked vine-ripened tomatoes. In Cuba, below, plants are pruned to single stem; in Mexico, right, plants are left unpruned.





Soviet Farm Mechanization

—as seen by
WALTER M. CARLETON
and the group
of U.S. engineers
who visited the
USSR last summer.

THE PURPOSE of our trip was to examine the status of Soviet farm mechanization and to evaluate the findings in terms of future progress. We were extremely fortunate in that our team was composed of two representatives of the U.S. Department of Agriculture, two from State universities, and two from the farm machinery industry. This variety of interests enabled us to better examine engineering training, research institutes, design organizations, and manufacturing plants. We were fortunate also in that three members of our team had served as hosts for the Soviet farm mechanization group that visited the United States earlier in the summer.

Before going to the Soviet Union we had requested that we be shown certain things. On the whole, we were well satisfied with the program planned by the Ministry of Agriculture. Certainly it was a program that kept us busy all day long and part of the night. Travel was mostly by air, although one of our trips was by car and another by train.

As is usual for groups with an agricultural interest, our itinerary started with a visit to the Agricultural Exhibition near Moscow. Here the Soviets have put their best foot forward to show what they are doing and what they hope to do. One entire hall and considerable outdoor space were devoted to agricultural machines. We found many new ones. Some were production models, while others were obviously experimental. Our problem was to determine

how many of them would find their way into actual practice, and how soon.

Engineering Training

So much has been written, particularly since Sputnik No. 1, on Soviet engineering education that our group was greatly interested in seeing how the Russian educational system functioned and what was in the program of instruction. The principal institute for agricultural engineers is in Moscow, and there we spent 2 profitable days questioning, discussing, and looking.

Without considerable detailed study of the curriculum, it would be difficult to make a direct comparison between Soviet and U.S. engineering training. We did feel that their program includes a firm training in the sciences. It also seemed to us that at present they are giving more emphasis to practical laboratory-type training than we are. It may well be that this type of practical training is more useful to the USSR in its present stage of mechanization.

One thing is certain—we are not accustomed in the United States to seeing so many women engineers. At one engineering institute we were told that 35 percent of the student body was made up of young women; and on several occasions, we found that women were responsible for the development of certain agricultural machines.

Research Institutes

All research in the Soviet Union is publicly supported. Consequently, Soviet farm mechanization research institutes perform functions which in the United States would be carried on by the U.S. Department of Agriculture, the State experiment stations, and the farm machinery companies. These institutes seemed to be adequately staffed and well financed. One impression that we gained is that, in general, they are devoting more time and effort to practical applications of existing knowledge than is customary

Members of the Farm Mechanization Group included: Walter M. Carleton, Agricultural Research Service; USDA; Arthur W. Cooper, National Tillage Machinery Laboratory, USDA, Auburn, Ala.; Lloyd W. Hurlbut, Dept. of Agricultural Engineering, University of Nebraska; Carl W. Hall, Dept. of Agricultural Engineering, Michigan State University; Karl D. Butler, AVCO Mfg. Corp., Ithaca, N. Y.; and Wayne H. Worthington, John Deere Research Development Center, Waterloo, Ia.

in agricultural engineering work in the United States. The reason, of course, may be the Soviet Union's drive to increase production by whatever means can be readily put into effect.

A good many of the Soviet engineers were engaged in developing repair procedure and techniques. We ran into a number of research projects concerned with better ways of welding broken parts or building up worn ones—crankshafts, for instance. Inasmuch as a large part of machinery overhaul is done by the Repair Technical Stations, or RTS, the results of the research work can be put into effect rather quickly through instructions to a fairly limited group.

Special incentive awards are given to engineers who are highly successful in their machine development work. Patents are issued on inventions, but apparently the monetary reward comes only after the invention has been adopted. Then a calculation is made of the savings brought about by the new machine and, on the basis of this, a committee determines what the inventor's reward will be.

Machines and Techniques

The Soviets seem to have made much greater progress in some lines than in others. Their new tractors, 100 percent diesel, are rugged machines, equipped with hydraulic devices to operate, raise, and lower implements. In direct contrast to the practice in the United States, they are using more crawler tractors than wheel tractors. They say, though, that they are intending to increase their wheel tractors.

Sunflowerseeds constitute the principal vegetable oil crop in the Soviet Union and many thousands of acres are grown for that purpose. To harvest the seeds, combines have been developed which are equipped with special gathering devices on the guards plus a second small reel to push the cut heads back onto the platform.

Forage harvesters, particularly for silage corn, have been the subject of much investigation. The new models are usually 3-to-4-row machines, although one of the neatest and most effective was only a 1-row unit with a minimum of parts.

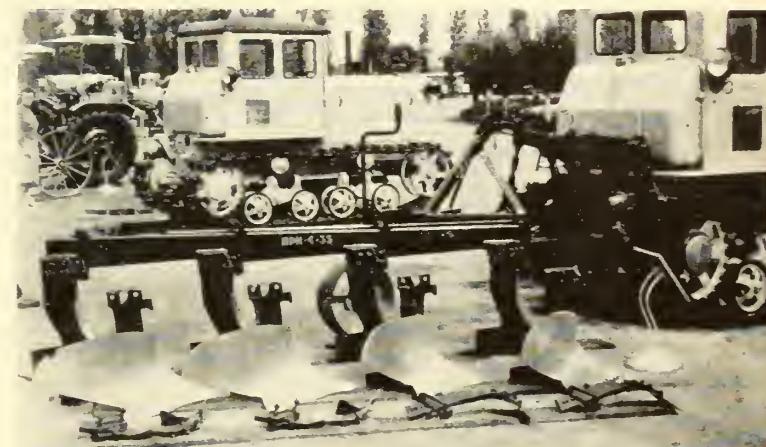
We felt that, for the most part, Russian machines are heavier and more costly than those of comparable American design. We also noted that under the Soviet system when a new technique is adopted for a particular use, it is adopted for all regardless of whether it fits or not. A good example is the two-stage harvesting of wheat, i.e., windrowing and combining from the windrow. This was used exclusively in the "new lands" in Siberia, and it appears to have merit for that territory, where early fall rains and winds and early winter make it imperative to harvest as early as possible. By windrowing, the spring wheat can be cut from 6 to 10 days earlier. But in the Ukraine where the season is longer, this two-stage method looks like a waste of time and effort.

Electrification-Mechanization

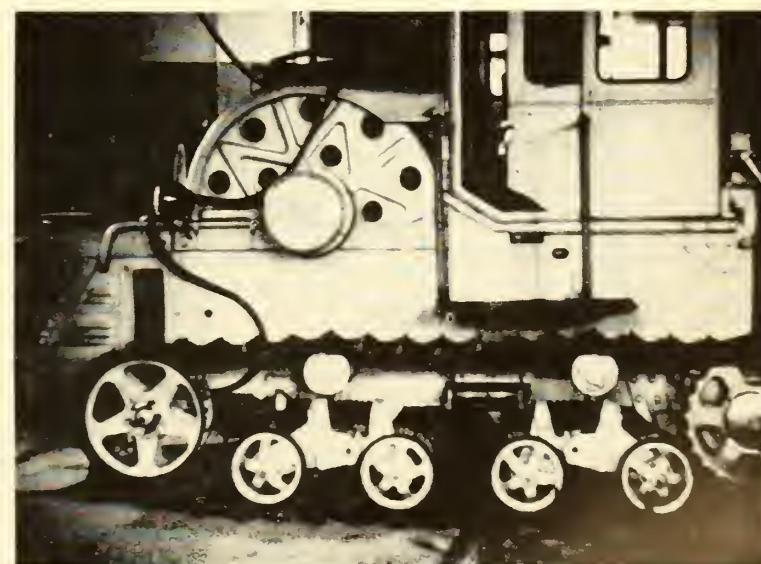
The Soviet Union's central station electric service is far less widely distributed than ours is. Many of the state and collective farms have their own generating plants—all those we visited had—but many are without electric service.



Self-propelled chassis for mounting various farm implements. Most Soviet machines are heavier than ours.



Three-point hitch attachment for mounted plow on Soviet crawler tractor. Wheel tractors are not as common.



Experimental electric tractor. The diesel engine has been replaced by an electric motor and a drum for cable.



U.S. engineers inspect Soviet potato combine, Alta Krai, Siberia. Below, map showing route of trip across USSR. Also, sign reading—"1 percent increase of labor productivity means hundreds of Belarus tractors exceeding the plan."



Electric distribution voltage is usually 220/380 instead of the 110/220 that we have in the United States.

The Soviets are experimenting with electric tractors. Some sources indicate that they have already built 100 of them, other sources say 25. Apparently the biggest drawback is procuring an electric cord which is large enough and sufficiently durable to keep the expense down to a reasonable figure.

Another experimental machine is a seven-unit mower mounted on a crawler tractor. Individual electric motors operate each of the mowers. But, as always, the question is one of economics and alternative solutions.

Soviet researchers are giving some attention to more efficient handling of dairy cattle—though this work is relatively minor. There seems to be plenty of available farm labor, both for milking and feeding the cows and for herding them in the fields. We did not see a single foot of farm fence in all our travels; instead one or more persons are assigned to herd the cattle.

At one research station, some good work was being done on the develop-



ment of automatic electric installations for grinding, handling, and mixing feed. The real problem will be to adopt these installations to their standardized long-stanchion barns.

Summary

In looking back at our trip certain impressions stand out:

- Although the Soviets still employ much more farm labor than we in the United States do, they have made much progress in the past few years.
- The Soviet engineers are well trained in science and engineering.
- Soviet farm machine designers are competent. They are not only utilizing ideas from the rest of the world but also adding their own.
- New Soviet machines are rugged and well-built.
- We in the United States will need to devote much attention to our research and development in farm machines in order to maintain our present lead. We can do this if we recognize the challenge and are willing to put forth the effort.

France Revises Economic Policy

The French Government during the final days of 1958 announced a series of economic measures designed to strengthen the French economy and enable France to compete more effectively in the new six-nation Common Market of which it is a member.

Among the most important was the devaluation of the franc—from 420 to 493.7 per U.S. dollar. France also took the same action as most other members of the OEEC: It made its currency convertible to all other currencies for persons not residents of the franc zone or of a country linked to France by bilateral payments accords.

Another was the long step France took toward liberalizing its foreign trade. Quantitative restrictions were lifted on dollar imports representing about half of total imports from the United States and Canada, based on 1953 trade. They were also removed from a considerably longer list of imports from the OEEC area—about 90 percent of imports on the basis of 1947 trade. Additional liberalization lists were published the middle of January which not only increased the extent of dollar liberalization but extended to all areas of the world the liberalization of a long list of products.

By far the most important dollar farm import liberalized is raw cotton; it can now be imported into France from anywhere without quantitative restriction. Cotton made up 69 percent of total U.S. farm exports to France during the fiscal year 1957-58.

Finally the government abolished the system by which wages and agricultural prices were linked to the general price level—this, to reduce the inflationary pressure of devaluation. The government raised taxes and lowered subsidy payments to reduce its budget deficit. As a result of subsidy reduction, French farmers will have to pay more for farm machinery and fuel and, like the rest of the population, will also pay more for rail transportation, coal, electricity, gas, and postal services. The subsidy formerly paid on certain foodstuffs, including bread and milk, has been entirely eliminated.

Tariffs and the Common Market

ON JANUARY 1, 1959, the six European countries (West Germany, France, Italy, Belgium, the Netherlands, and Luxembourg) who are signatories to the "Rome Treaty" establishing the European Economic Community took the first step in adjusting their tariffs toward a gradual removal of all tariffs among themselves.

In this first step, the rates applied on January 1, 1957, among the Six were reduced by 10 percent, and bilateral quotas granted to member states were converted into "global quotas" applied without discrimination to all member states. At the same time, these newly formed quotas operating within the Common Market area were increased on the whole by no less than 20 percent in their total value as compared to the preceding year. A quota must equal at least 3 percent of national production.

It should be emphasized that these adjustments are internal and relate to trade relations between the Six. The beginning of *external* tariff adjustments (increases as well as decreases) is not scheduled until January 1, 1962, and even then most of the changes will be gradual. Meanwhile, extensive tariff negotiations are in prospect.

Tariff Provisions

The Rome Treaty is very largely an outline of guiding principles, with the specific policies and programs to implement these principles left for future decisions. Many of the details are yet to be worked out by the administrative agencies of the Common Market. This is particularly true with regard to agriculture. Nevertheless, specific provisions for modifying tariffs are outlined in the Treaty.

Essentially, two major adjustments will be made gradually: (1) the elimination of duties as between the six member states; and, (2) the application of the common customs tariff to imports from third countries. The basic tariff provisions of the Treaty follow:

Adjustments in tariff rates and quotas by the Six, including their associated overseas territories,¹ will be made over a transitional period of 12 to 15 years (January 1, 1958, to no later than January 1, 1973), which is divided

into three 4-year stages and which can be extended in the aggregate no more than 3 years.

Internal Tariff Adjustments.—The duties applied by the Six vis-à-vis each other on January 1, 1957, will be eliminated by successive reductions as follows:

	Overall average reduction	Minimum reduction for each commodity
	Percent	Percent
First stage:		
1st step—12 months	10	10
2nd step—18 months	10	5
3rd step—18 months	10	5
Second stage:		
1st step—18 months	10	5
2nd step—18 months	10	5
3rd step—12 months	10	5
Third stage. —The Council of Ministers is to decide at what rate the remaining duties will be eliminated.		

Each member state will make an effort to reduce each of its duties by 25 percent by the end of the first stage and by 50 percent by the end of the second stage. Revenue duties will also be eliminated, and will be lowered by not less than 10 percent at each reduction. Member states may convert such duties into nondiscriminatory internal taxes.

External Tariff Adjustments.—Individual member country rates will be adjusted up or down toward an established common tariff rate to be applied against third countries. At the end of the fourth year (January 1, 1962), where individual rates differ by less than 15 percent from the common tariff, the latter will go into effect; and, where the difference is more than 15 percent, it will be reduced by 30 percent. At the end of the second stage, the difference will again be reduced by 30 percent, and by the end of the transition period it will be completely eliminated.

The common external tariff rate on any product will generally be based on the arithmetic average of the duties applied by the four customs areas (Benelux, France, West Germany, and Italy) on January 1, 1957. There are a number of important exceptions to this basic principle, however, especially for agricultural products.

The Italian duties used for calculating the arithmetic average will not be those applied on January 1, 1957, but the rate to be used may not be more than 10 percent higher than the January 1, 1957, duty. List A of the Rome Treaty gives the French rates on a number of items which are to be used for calculating the arithmetic average. In the case of cereals and wheat flour, the arithmetic average of the book duties of the four customs areas will be used rather than the duties applied on January 1, 1957.

Proposed rates have already been fixed, by mutual agreement among the Six, in List F of the Rome Treaty. The rates for the items included in List G are yet to be determined by negotiations among the Common Market countries. (Both lists include some agricultural products.) Each member state may specify additional items to List G up to 2 percent of the total value of its imports from outside countries in 1956.

And finally, the maximum common tariff rate cannot exceed:

3 percent for List B (raw materials); 10 percent for List C

¹ The overseas territories (listed in the Rome Treaty) most of which are in Africa, will be associated with the Common Market. A convention annexed to the Treaty establishes the terms and procedures of the association for an initial 5-year period.

(semifinished products); 15 percent for List D (inorganic chemicals); and 25 percent for List E (organic chemicals).

Member states, if faced with special difficulties, may postpone, within certain limitations, the periodic adjustments toward the common tariff. The Common Market Commission may also authorize any state to suspend its duties or to apply tariff quotas on any item included in Annex II of the Treaty. Annex II covers practically the entire range of agricultural commodities.

Tariff Adjustment Extended

In the second week of December, the European Economic Community announced it would extend the first adjustment of internal tariffs to all countries now entitled to most-favored-nation treatment. These included, among others, the OEEC countries (Organization for European Economic Cooperation) and all the member countries of GATT (General Agreement on Tariffs and Trade). This decision to extend this first modification of internal tariffs to countries other than the Six was provisional in nature and was taken pending the outcome of so-called Free Trade Area negotiations among the 17 member countries of OEEC. But the extent to which future internal tariff reductions among the Six will be applied beyond the Common Market area remains to be seen.

The wider application of the January 1 tariff reduction to non-Market countries, however, is subject to exceptions and limitations. The 10-percent tariff reduction extended to non-Market countries, for example, did not apply to agricultural commodities which have been liberalized, nor to European Coal and Steel Community products. Furthermore, no reductions were made by the Six where tariffs were already below the common external tariff. Each of the Six was to determine the extent of reductions to non-Market countries on items for which the common external tariff is not yet known. There were no significant tariff reductions on imports of U. S. agricultural products.

During the 12th session of the GATT in 1957, and again during the recently concluded 13th session, the Six reaffirmed their intention to honor their GATT obligations. These ob-

ligations with respect to the formation of a customs union are a part of the General Agreement.² That pact specified conditions under which a customs union may be established consistent with its terms. Among other things, it has a proviso stating that external duties of such a union shall not on the whole be higher or more restrictive than the general incidence of duties applicable prior to its formation. The Six will also be obliged to make new concessions to GATT members where necessary to compensate for the impairment of existing concessions as a result of the establishment of the common tariff. Therein lies the general basis for tariff negotiations with the Six within the GATT framework.

Even before the Common Market formally came into being on January 1, 1958, GATT countries recognized that tariff rates along with a number of other important questions concerning relevant provisions of the Rome Treaty had to be resolved. It was also decided that further consideration would have to be given to the problem at later meetings, leaving aside for the time being the question of legal compatibility of the Rome Treaty with the provisions of the GATT. Meanwhile, attention is being concentrated on specific and practical problems using accepted consultative procedures for this purpose.

In the fall of 1958 it was agreed that the legal question should again be postponed without prejudice to the rights of trading partners in the GATT. Procedures were also approved for consultation regarding damage, or serious threat of damage, to the trade interests of other contracting parties arising from the application of the Rome Treaty. The Treaty question will be further considered in 1959.

Thus far, interested contracting parties have consulted with the Six on specific commodity problems for tobacco, coffee, cocoa, bananas, and sugar. Common customs tariffs for all five of these commodities are listed in the Rome Treaty. The rates mutually agreed upon by the Six are: 30 per-

cent for tobacco, 80 percent for sugar, 9 percent for cocoa, 16 percent for coffee, and 20 percent for bananas.

Consultations with the Six on the foregoing commodities have been largely exploratory in nature to date. At this point it is too early to know what the probable results of the discussions will be. Nevertheless, such talks remain one means by which solutions to specific commodity problems, mutually satisfactory to all parties concerned, might be found. They are expected to continue in 1959, with the United States taking an active part.

During the recent GATT session, the United States proposed that contracting parties begin another general round of tariff negotiations no later than mid-1960. At that time it will also be possible for the GATT to examine the complete common external tariff schedule which should be available to non-Market countries for study during the summer of 1959. Contracting parties will also be able to negotiate with the Six on the matter of general incidence of the common external tariffs, on the problem of compensation for impairment resulting from changes in bound rates, and on possible new reductions in the common external tariffs. The United States will take an active part in these proceedings and, through the provisions of the Trade Agreements Extension Act of 1958, will be able to negotiate effectively with the Six as well as other GATT countries.

Influence on Agricultural Trade

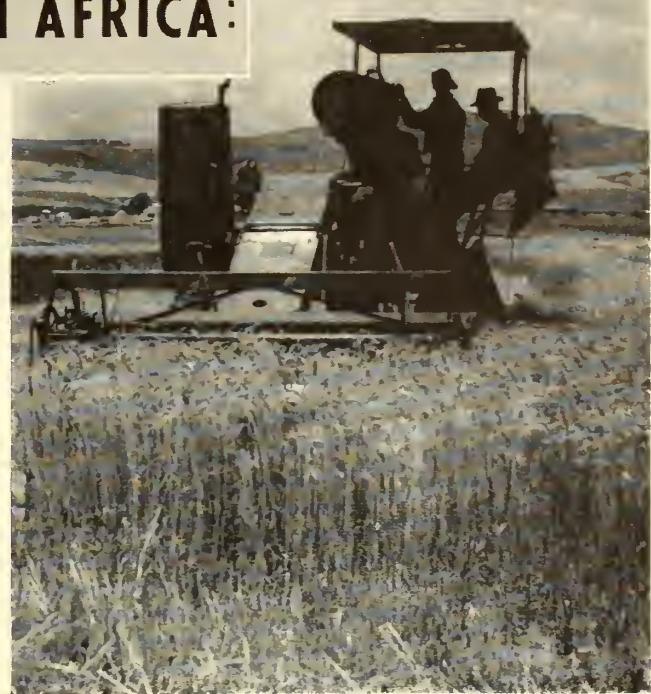
Since many of the common external tariff rates are not yet known, the effect on all U.S. agricultural exports to the Six cannot be determined. In addition to tariff adjustments an even more important influence in the case of agricultural trade, perhaps, will be the common agricultural policy yet to be evolved by the Community. These changes will necessarily be gradual and will involve the compromise of many conflicting interests—both internal and external—as the Community develops. An important objective of the United States in this process will be to preserve to the greatest possible extent the advantages of freer, multilateral, nondiscriminatory trade with the expanding market of the Community.

² Thirty-seven countries participate in the General Agreement on Tariffs and Trade, including the United States and the six Common Market countries.

THE UNION OF SOUTH AFRICA:

Agricultural Output And Foreign Trade

By WILLIAM J. EDENS
U.S. Agricultural Attaché
Pretoria, Union of South Africa



Harvesting wheat in the Transvaal. The Union's wheat production has mounted, but imports are still needed.

IN THE GREAT ERA of colonization, settlements sprang up all over the world for reasons that ranged from religious freedom to the search for gold. South Africa was one of the few settlements with a strictly agricultural purpose. In 1652, the Dutch East Indies Company established a station on the Cape of Good Hope to revictualize its ships on long voyages to the East. Some 100 colonists were landed, who built a fort as protection against the native Hottentots and laid out gardens of fruits and vegetables.

Since those early days, agriculture has been important to South Africa. It has kept pace with a growing population and an expanding economy; and today it is an essential part of the country's foreign trade. In 1957, farm commodities and products manufactured from them amounted to 42 percent of the Union's total exports, excluding gold.

The country has even become a surplus producer of several important world agricultural products, namely, wool, corn, oranges, deciduous fruits,

dried fruits, sugar, and meat. Most of the farmers now depend on marketing abroad large amounts of their annual production. In 1957, these foreign shipments accounted for 41 percent of the total value of the Union's farm output.

The Union has an advantage over many countries in that the zonal characteristics of its climate make it possible to grow a great variety of field crops and fruit. Practically everything from temperate zone crops to sub-tropical products will thrive there. Thus, the country is able to provide most of its basic food needs and to sell to neighboring countries with less favorable climates.

Farm Crops

Corn is the Union's most important field crop. It is also the main bread crop for the Negroes, who make up about three-quarters of the country's 14-million population. Most of the farmers grow corn and at least a third of them grow it as a commercial crop. In the 1956-57 crop year, 150 million

bushels of corn—37 percent of output—were exported. But in view of the fact that world corn production for several years has exceeded world consumption and also because of the less favorable prices for corn, some South African producers are advocating acreage allotments to cut down production. Nevertheless, South African corn will increasingly compete with U.S. corn in the world market.

South Africa's citrus crop has developed into the Union's second largest agricultural export commodity (wool is first). South African oranges are now common-place in the United Kingdom and major European markets, where they compete with U.S. oranges in the summer. However, the greater part of the world's citrus fruit ripens at a different season and this has helped the Union to expand its citrus industry. Oranges account for about 90 percent of the total citrus crop, with grapefruit, lemons, and tangerines following in order. Total citrus production in 1957 was 339,000 tons, of which 76 percent was ex-

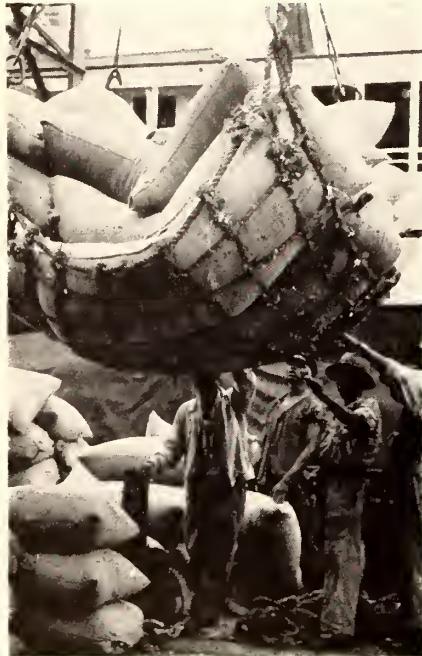


Photos courtesy So. African Dept. Agr.



By Lynn Acutt's

Left to right, cattle grazing on reclaimed land in Cape Province, German merino sheep in same province, and loading sugarcane on modern trailer at La Mercy.



Loading corn for export. The Union's leading food crop, it competes with U.S. corn on world markets. Below, inspecting peanuts, another export crop.



ported. If current production plans are carried out, there will be a sharp stepping-up of this crop.

Deciduous fruits—grapes, peaches, pears, apples, and apricots—have been grown in the Cape Province since early settlement, and practically all commercial production is still in that Province because of the soil and the climate. The increase in production has been tremendous—from 63,000 tons in 1951 to 120,000 in 1957, when exports totaled \$18 million.

Dried fruit is another money-maker for the Union, its annual value averaging around \$7 million. More than half of the fruit is exported to the United Kingdom and European markets by the South African Dried Fruit Company, a newly formed cooperative. This company, incidentally, is giving much attention to modern packaging methods to attract more customers.

The subtropical fruits, pineapples and bananas, are being grown in larger quantities. In 1955, 25,000 acres were planted in bananas and 60,000 acres in pineapples. Pineapple production in 1957 amounted to 123,000 tons. Exports were 2,646 tons of fresh fruit and 22,053 tons of canned pineapples, which went principally to the United Kingdom. A new pineapple experiment station has been established and larger acreages are being planted, which means more pineapples to compete in the international market.

For many years, the Union's annual wheat crop averaged about 18 million

bushels. Recently, the trend has been upward; in 1957-58, production totaled 28.1 million bushels. Domestic consumption has been rising too. Now estimated at 33 million bushels, it is expected to increase by more than a million bushels a year. Two reasons have been given for this: One, the growing popularity of breakfast foods among the white population, and two, the higher standard of living among the urban Negroes.

Because of mounting production, wheat imports have fallen off during the last 3 years. Imports—probably about 8 million bushels—will be needed this year as a result of drought and insect pests in the current growing season. And as wheat bread replaces corn in the diet, which it may very well do, imports will be needed in the years ahead.

Oats, barley, and rye are of minor importance; in fact, production has declined recently. For a number of years, the kaffircorn crop has averaged little more than domestic requirements of about 1.5 million bags (200 lbs.) but more undoubtedly will be produced for export in the future since it grows well in areas where the rainfall is too low for good corn yields.

The annual rice crop has also declined in the past decade to about 4,000 tons. This has been partly the result of import control, and partly because of the need for bolstering the

(Continued on page 22)

The New World Sugar Agreement

--how it copes with some old problems

By ERIC ENGLUND
Consultant
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A NEW AND IMPROVED World Sugar Agreement has taken the place of the one that expired December 31, 1958, after a 5-year life. This agreement, negotiated at the United Nations Sugar Conference in Geneva September 22-October 24,¹ has the same basic aim as the old one—to insure supplies of sugar to the importing countries, and markets for sugar to the exporting countries, at equitable and stable prices.

The Geneva conference met, however, not only to work for a renewal of the agreement, but also to expand its coverage and improve its provisions, the better to cope with the ups and downs of supply, demand, and price, in the so-called free market—the part of the world sugar market that is not governed by preferential arrangements and so is open to free competition.

These preferential arrangements are exempt from the quota provisions of the Sugar Agreement. The exemptions apply specifically to the following: Exports to the United States; exports by Czechoslovakia, Hungary, and Poland to the U.S.S.R. and exports up to 50,000 tons by the U.S.S.R. to these countries; specified tonnages that may be exported by countries and areas within the British Commonwealth Sugar Agreement; specified maximum tonnages that may be traded in among the six Common Market countries; and a specified tonnage which Belgium may export to Morocco.

Among the provisions that came up for particular attention at Geneva were those relating to shortfall, or the inability of an exporting country to meet its quota. Also discussed were stocks; a proposed option system for buying and selling, at the maximum and the minimum of the price range; procedures for maintaining a "reasonable" price range; and various questions pertaining to research and administration.

Coverage

The free market for sugar in recent years has averaged about 5.5 million metric tons (raw value), compared with the total of 12 million that has moved in international trade and with the 42 million of total world consumption.

Because the free market thus represents less than one-

half of the international trade in sugar and 13 percent of the world's sugar consumption, it is inherently a marginal market and unstable, both as to supply and as to price. This instability is of real concern to the world sugar economy in general, and in particular to the importing countries that depend largely on the free market for their supplies, as well as to the exporting countries whose economy leans heavily on exports of sugar to the free market.

There is considerable interdependence among the countries and interests affected by these variations in sugar prices and incomes. Thus it follows that the Sugar Agreement is of real interest also to governments and private organizations whose direct interest in sugar may be focused chiefly on its movements within preferential arrangements and on its domestic production and market supply.

The coverage of the new agreement in terms of membership will probably be significantly larger than that of the old. Representatives from 44 governments, 18 importing and 26 exporting, passed the new agreement, compared with the 35 delegates, 14 from the importing countries and 21 from the exporting, that passed the old agreement as amended in 1956. But it is important to bear in mind that this list is not necessarily the same as the list of members. The difference shows up in the signing and final acceptance of the agreement. During the last month of the old agreement, 29 countries were members of it, 20 exporters and 9 importers. The exporters were Australia, Belgium, China (Taiwan), Cuba, Czechoslovakia, the Dominican Republic, France, Haiti, Hungary, Indonesia, Mexico, the Netherlands, Nicaragua, Panama, Peru, the Philippine Republic, Poland, Portugal, South Africa, and the U.S.S.R.; the importers were Canada, Germany, Ghana, Greece, Ireland, Japan, Lebanon, the United Kingdom, and the United States. Exporters not members of the old agreement but expected to join the new one are Brazil, Costa Rica, Denmark, Guatemala, India, and Italy.

As this article goes to press, the new agreement's coverage in terms of sugar can be stated only in most general terms, for two principal reasons.

The first is the present uncertainty of actual membership, and therefore of the total basic export tonnage. The second, partly dependent on the first, is the amount

¹ See *Foreign Agriculture*, September 1958.

of net exports on the free market by nonmember countries. The net exports of any country whose delegation passed the agreement at Geneva but which later decided not to join would of course count as free-market exports along with those of other "outsiders" and of "in and out" exporters.

However, for the 26 countries listed as exporters when the agreement was passed, the basic export tonnage amounts to 6,540,000 tons; the free-market requirements as estimated at Geneva are 5,760,000 tons. These requirements are difficult to estimate for any one year, for there is much uncertainty in the domestic production—and therefore in the import needs—of "normal" importers, many of whom are moving toward self-sufficiency. Net imports of the free market during 1954-57 have averaged 4.7 percent higher each year than the Council's final estimates.

Notification of Shortfall

The new agreement requires each exporting country to notify the Council not later than May 15—instead of September 30 as under the old agreement—whether or not it expects to ship during the calendar year the full amount of its quota. A revised declaration is required not later than September 30.

These earlier declarations will enable the Council to make an earlier redistribution of the amount of the quotas that exporting countries cannot fulfill. These shortfalls are apportioned among other exporting countries that may be able to export more sugar to the free market than their quotas had specified. This should help in two ways. The importing countries would benefit by there being more sugar available in the free market—and possibly at more favorable prices—than if the unfulfilled quotas of some exporters were not met by others. The exporting countries that are in a position to supply more than their own quotas would benefit by utilizing their production resources more fully.

A new provision makes it mandatory for the Council to review the supplies of sugar available for the free market and consider variations in the export quotas of particular countries. It can then make adjustments within

the total of the quotas assigned to member exporters as a group. This new obligation of the Council to determine shortfalls, in addition to the earlier date for exporters to report them, could become an additional stabilizing influence on the world market.

In the last 3 years of the old agreement, shortfall declarations averaged about 650,000 tons and were always well over 10 percent of the sum of final quotas. Formal recognition and reallocation of these shortfalls early in the year could steady the market in the face of strong demand.

Stocks

Importing countries that depend on the free market for sugar pointed out at Geneva that the old agreement had certain basic shortcomings from their standpoint. Japan argued that the agreement, in seeking to keep the price of sugar from falling below the minimum of the price range, provides through quota action a powerful instrument for the exporters—reduction of the volume of sugar offered on the free market. Yet it provides no comparable means of keeping the price from going above the maximum. Quota action is of no avail in defending the upper limit of the price range unless an adequate supply of sugar is available and is put on the market when quotas are increased or suspended. This argument set off a long discussion of larger stocks to be released at the Council's direction when the price goes to or above the upper limit.

Importing members strongly supported a proposal to increase the minimum stocks that exporting members must hold, from 10 percent of basic export tonnage to 15 percent or more. The exporters, however, opposed such a requirement, chiefly on the grounds that stocks had in fact been substantial under the old agreement, and that it would not be practicable to carry large enough stocks to prevent price increases like those that resulted from the Korean war and the Suez crisis. In any event, they contended, the cost of accumulating and holding larger stocks should not be shouldered by them alone, but should be borne jointly by them and the importers. Not even the strongest supporters of larger stocks claimed that obligatory stocks of 15

percent or more would prevent the free-market price from rising above the limit if major international crises should occur.

All this resulted in two modest but perhaps significant provisions for increased stocks. One of these was volunteered by the exporting territories within the British Commonwealth Sugar Agreement. Under it, 50,800 tons are to be held at all times in each calendar year, to be immediately available for export to the free market when called for by the Council. The other increases the obligatory minimum stocks to be held by exporting countries, from 10 percent to 12½ percent of basic export tonnage.

These two provisions, plus the increase in total basic export tonnage that would result from the expected increase in exporter members, mean that stocks available for release by the Council may amount to 776,400 tons compared with 495,700 under the old agreement. This figure is based on the assumption that all the former exporters take part in the new agreement and that Brazil, Denmark, India, and Italy become members.

Multilateral Options

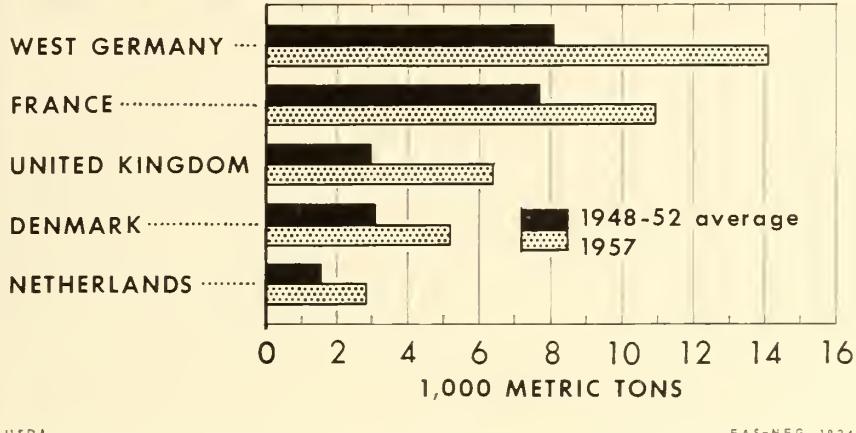
The conference considered the possibility of some form of option for free-market importers to buy specified amounts of sugar at the top of the price range and for exporters to sell at the bottom, if market prices should rise above the maximum or fall below the minimum. This arrangement is on the same principle as the provision of the International Wheat Agreement with respect to the top and the bottom of the price range. The proposal ran into rough weather; many objections were raised, including practical considerations of administration, particularly in countries where the sugar trade is in private hands. The sponsors withdrew it.

Not content to let the idea die altogether, the conference agreed to have the Council consider and recommend the negotiation of arrangements for multilateral options for sale or purchase by interested participating governments.

The Price Range

The price-range provisions of the new agreement are essentially the same

European Pork Output Has Risen Sharply in Recent Years



The Outlook for U.S. Pork Sales In European Markets This Year

The United States, which has been steadily losing its pork and pork products markets in Europe in the last few years, cannot expect any shift in 1959. The abundance of hogs in both Western and Eastern Europe and the fact that no important cuts in production are anticipated will further depress U.S. trade. Also, European prices are substantially lower than U.S. prices. It is expected that U.S. prices will drop at least to European levels by late spring. This may spur exports to Western Europe, but not enough to substantially reduce U.S. surpluses.

Western Europe's hog production has risen steadily since World War II. In the United Kingdom, alone, the

output of pork has more than doubled; and increases ranging from 70 to 80 percent have occurred in the Netherlands, West Germany, Austria, and Denmark.

Furthermore, Eastern Europe has recovered from the low-level production of 1950 and is now exporting to Western Europe and thus contributing to the European pork surplus. This year's increases will probably mean additional sales to the Western European market. The Western countries will encourage purchases from the Eastern area, despite quality or prices, because these countries are important outlets for Western-produced industrial goods.

This surplus of hogs, however, has

as those in the old, except for two brief paragraphs setting forth further ways in which the price of sugar can be "cushioned" at the upper end of the price range.

Under both agreements, when the price is not less than 3.25 cents per pound and not more than 3.45 cents, quota action is sharply limited; but in case the price falls below 3.15, the lowest mentioned, or rises above 4.00, the highest, both agreements provide courses of action to encourage a swing back toward the inner limit. Thus neither set of figures actually defines

the price range; they merely mark the upper and the lower sides of two cushions, both containing complex mechanisms by which it is hoped to keep the free-market price from getting out of hand in either direction.

Research and Administration

Economic studies, consistently favored by the United States in previous conferences and in the Council, came in for spirited discussion. An amendment now provides that the Council must appoint a committee to assist it in this field, with particular emphasis

raised some problems both between and within the European countries themselves. Pork prices have been driven down and may very well drop even further this year. Producers will probably suffer losses, but the effect this will have on their incomes will vary from country to country, depending on support measures.

Another problem is the adverse effect of this increased output on the countries where hog raising plays an important role in the agricultural economy. For example, hogs account for a third of Denmark's total gross farm output.

The most widespread effect of the high-level production, however, has been the falling off of imports in practically all areas. Overall imports have dropped to half the prewar level. This trend is expected to continue, but may fluctuate to some extent on a country basis. Domestic production in the United Kingdom, for example, will probably remain high and imports will be low. The same could be true of Germany. Italy, on the other hand, may up its imports because the prospects for expanding home output are not too bright.

Where does the United States stand? In 1957, about half the value of total U.S. exports of meat and meat products was derived from pork and its products. But during the first half of 1958, exports of pork, variety meats, and lard from the United States dropped significantly, and at that time the United States shifted from a net exporter of livestock and meat products to a net importer.

on means of promoting sugar consumption in countries where it is low, and on research into new uses of sugar and its byproducts.

In administration, the new agreement concentrates more authority in the office of Executive Director and enlarges the Executive Committee from 10 to 14 members by adding 2 from each side, exporters and importers. Like the old agreement, the new one will operate for 5 years. In its third year, however, it will be subject to thorough reexamination, including reconsideration of its basic export tonnages.



Courtesy FAO

Ceylon farmers prepare paddy fields in a rice hybridization project aimed at boosting production, near Cal Oya.

Ceylon's Future Hinges Upon Its Agricultural Program

By **GERALD W. SHELDEN**
Far East Analysis Branch
Foreign Agricultural Service

ON THE ISLAND of Ceylon, which is about the size of West Virginia, live over 9 million people, who must import half of the food they eat. Furthermore, Ceylon's population is growing at the exceedingly rapid rate of around 3 percent a year, and this leaves the country with but two choices: either to increase its food imports or to boost its farm production some 5 to 6 percent a year to win the race against population growth.

The Ceylonese Government recognizes that food imports will have to continue, but to keep them from mounting and also to increase its foreign earnings, it is trying to expand agricultural production. Programs are under way which will not only raise the production level of food crops but will improve the quality of the island's export commodities. Upon the success of these programs rests Ceylon's future. The island has a strictly agricultural economy, and, unlike many other

underdeveloped nations of the world, it has no aspirations toward large-scale industrialization since it does not have the necessary raw materials.

Agricultural Pattern

Today large European-owned plantations producing export crops and peasant-owned smallholdings growing food crops characterize the agriculture of Ceylon. The commercial crops grow mainly in the Wet Zone or southwest portion of the island. Rice also grows in the Wet Zone and with other food crops under irrigation in the Dry Zone, which is in the northern and eastern portions of the country.

Tea is the most important export crop, accounting for 60 percent of total export earnings in recent years; rubber varies between 15-20 percent; and coconut products return 12-15 percent.

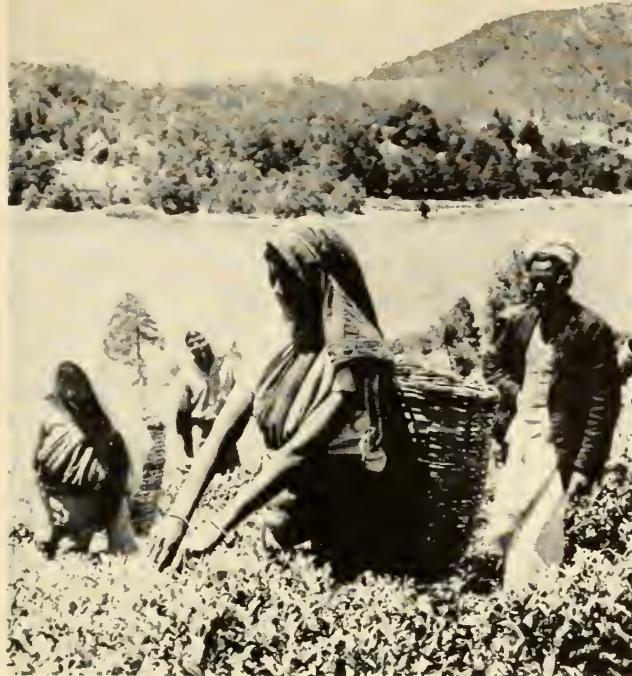
Rice, the most important food crop, is not grown in sufficient quantities to feed Ceylon's population. In the days

of the Sinhalese kings, Ceylon was a rice-surplus producing area, but it now must buy half of its rice requirements. All the wheat flour and sugar are obtained from other countries. Dairy products, cotton, and tobacco are other agricultural items imported.

Since World War II and independence in 1948, Ceylon has had investment and development programs in agriculture. Although these have not always been fully defined, they have certain basic goals. The principal one is to boost food production to keep pace with population growth. The second is to increase the production and quality of commercial export crops. The third objective is aimed at diversifying peasant agriculture, and the last at encouraging the production of new or minor export crops.

Export Crop Improvement

The rehabilitation of the export crop industry has been encouraged, as



Women plucking tea leaves. Tea is Ceylon's leading export crop, accounting for 60 percent of foreign earnings.



Courtesy National Rubber Bureau

Rubber ranks second as a money earner for Ceylon. Above, worker squeezes water from sheet of coagulated rubber.

many of the plantings are past their prime or are inferior and low-producing varieties. In 1953, a Rubber Replanting Subsidy Act was passed under which subsidies are paid to growers of uneconomic rubber who are willing to replant with high-yielding strains. Originally financed by a tax of 2 (U.S.) cents per pound on rubber exports, the program is now being supported by economic assistance provided under terms of the renewed rubber-rice trade agreement with Communist China. Indications are that this replanting program has been successful; and if it is extended beyond the target date of 1960, a high proportion of the island's rubber area will be in high-yielding varieties.

A similar replanting scheme is improving coconut production too. High-yielding seedlings have been grown and these are being made available to growers at subsidized prices. Many of the old tea plantations will be replanted under a plan that was scheduled to go into effect late last year.

Grading systems are being introduced, for even though Ceylon's tea and copra are recognized on world markets for their excellence, improvements in the grading system are still needed. Also, not content with merely improving production, Ceylon is out to develop bigger markets for its products. A

portion of the taxes collected on tea is used for its promotion throughout the world.

Increased Food Production

With regard to food crops, rice is getting the most attention since it is the island's basic food. Under the Guaranteed Price Scheme, rice growers are paid \$2.52 a bushel, double the Southeast Asia market price for rice, in an effort to increase production. A government program also makes pure-line rice seed available to farmers.

Another important measure is the Paddy Lands Act, which is now operating in two provinces. Under this law, the tenant is assured permanent tenure of the rice land he is cultivating unless it can be proved that he is incompetent. A ceiling on the amount of rent that can be charged a tenant, the right of succession, and many rice production details are controlled by the Cultivation Committees, which are elected by the cultivators and the landowners. With the security granted under this law it is expected that the tenant will take more interest in his crop and will improve his production practices.

Of help to the farmer is the pilot crop insurance program that started last fall. This program insures the farmer a return for his capital invest-



Third in importance are coconut products, for which Ceylon is noted. Here coconuts are split open for drying.

ment and labor even when there is a crop failure. And this too should serve as an incentive for the rice producer to test and adopt improved cultural methods. Subsidized seed and fertilizer programs are other measures.

The development of agriculture in the Dry Zone has been given special emphasis by the Ceylonese Government. In 1957, it was estimated that one million acres that could be irri-

gated were still available for development in the zone. The Irrigation Department is restoring reservoirs that were built during the days of the Sinhalese kings. Existing irrigation facilities are being enlarged and improved, and new reservoirs or tanks are being constructed, usually in connection with colonization schemes.

Large multipurpose development schemes have been undertaken not only to provide irrigation facilities, but to generate electricity, control floods, encourage village industry, and provide employment.

Existing villages have been expanded by distributing government land surrounding the villages to peasant families. Under the colonization schemes, peasants and middle-class Ceylonese are resettled in areas where major irrigation projects have been developed, the land is cleared and the new settlers are granted about 3 acres of irrigated land and 2 to 5 acres of high land plus a house and the use of community buildings.

Assistance

The United States, with its program of economic and technical aid in Ceylon, has given much assistance to the various development programs. Also, last June the United States and Ceylon signed a Public Law 480 agreement whereby U.S. wheat flour and rice were to be sold to Ceylon for rupees. Part of the currencies accruing from these shipments will be loaned back to Ceylon for use in furthering its development schemes. Other help has come from the Colombo Plan countries and the United Nations organizations, which have sent technicians to assist the Ceylonese.

This aid from external sources is still needed. From 1954 to 1956, Ceylon had trade surpluses ranging from \$22 million to \$101 million. Then in 1957 it experienced a deficit of \$26 million, caused by unfavorable world prices for tea and rubber and a decline in the export volume of coconut products. Today prices of Ceylon's export commodities appear to be trending upward, but it is unlikely that Ceylon in the immediate future will benefit to the extent of being able to carry these agricultural programs without help.

United Kingdom Proposes Scheme Granting Aid to Small Farmers

The United Kingdom is trying a new approach to farm support with the recent introduction of a bill for aid to small farmers. The purpose of the bill is to grant aid to certain small farmers for the improvement of farm operations so as to make their production more efficient and profitable.

A departure from the prevailing farm supports policies, this bill has been criticized by those opposed to such a change. Yet it has been hailed by many as a small but significant step in the right direction. In the United Kingdom, as in several other Western countries, the feeling has been growing that high price supports and subsidies, and the large, uneconomic production that they give rise to are too heavy a load on the country. And this is made more burdensome by the production problems of small farms.

To qualify for a grant under the new bill the farmer must agree to carry out over a period of 3 to 5 years a plan of improvement worked out with the National Agricultural Advisory Service and approved by the Ministry of Agriculture. However, not all small farmers are eligible for aid. The farm must be of sufficient size to provide its occupant with full-time employment once the improvements are carried through. The farms that fall under the bill's provisions have not only an upper size limit of 100 acres but also a lower limit of 20 acres.

Furthermore, to rule out part-time farms as well as such intensive operations as small but profitable horticultural holdings, grants are limited to farms that require from 250 to 450 "standard man-days" a year. The total of all grants during the period of the scheme cannot exceed £1,000 for any one holding.

Two types of grants are involved in the proposed plan—the so-called farm business grants and field husbandry grants. The first type is meant to contribute toward a variety of expenses, such as the purchase of stock and equipment. It will be allocated at a

standard rate of £6, or \$17, per acre of crops and grassland.

The field husbandry grant will be paid primarily to improve land under grass. It is apparently the feeling of the Ministry that meat production based so far as possible on the farm's own grasslands holds the most promise for farms of the size involved in the scheme. Expanded production of milk, pork, and eggs, normally important to small farmers, is not considered desirable under present conditions.

There are two essential features to the scheme. First, the aid should result in more efficient production, and thereby greater income, with adherence to an accepted plan of improved management the key to these. And second, although its goal is to help small farmers, the scheme does not concern itself with those farmers whose business, for one reason or another, is considered too small ever to provide a reasonable income for the operator. The government is studying other means to help this group.

Subject to approval by Parliament, the Small Farmers' Scheme will come into operation on April 1, 1959. According to the proposal, funds for the new grants will be provided within the total of the guarantees already given to agriculture. This will mean some redistribution of government aid to farmers, a move which could add to the resentment of those farmers whose holdings fall outside the size limits defined in the new program.

Argentina Cuts Meat Exports To Encourage Price Drop

Argentina's Meat Board, which controls meat exports, has ordered a 40-percent cut in chilled beef shipments to the United Kingdom during the first quarter of 1959. Stated reason for the reduction was to increase supplies of meat for local consumption and to force down prices. Retail prices of beef rose sharply after ceiling prices were removed in December.

Economic Coordination In Eastern Europe

The article below shows how a little-known organization is coordinating the long-term economic plans of Communist Bloc countries, and how its work may mean great changes in Eastern Europe's agriculture.

EFFORTS AT economic cooperation or integration in Western Europe have for some time been paralleled by similar efforts in Eastern Europe. There are, of course, considerable differences in the nature and content of attempts at integration as between the group of countries that have a centrally directed economy and the Western group.

Albania, Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, and Rumania, together with the Soviet Union, are joined in a "Council for Economic Mutual Assistance" (CEMA), whose aim it is to coordinate the economic activities of these countries. Communist China, North Vietnam, North Korea, and Mongolia are associated with this organization, but have only observer status in its councils.

CEMA was created in 1949 as a counterpart to the Organization for European Economic Cooperation (OEEC); originally, its purpose was to "facilitate closer economic cooperation" between the Soviet Union and the other Communist countries of Eastern Europe. In this function it played apparently only a minor role and its activity seems to have been very limited. However, around 1956 its goals were redefined, and its activities expanded. In its present form CEMA is to coordinate the economic plans of its members so as to promote division of labor within the Bloc to the largest extent. Each CEMA country is to emphasize those lines of production for which it is best suited by natural and economic conditions; other guiding ideas may also play a role.

When, after 1956, CEMA's activities increased, the long-range plans of the member countries for the period 1956-60 were already under way. These plans aimed at a high degree of economic self-sufficiency for each country, though perhaps slightly less so than the previous plans. As a result, CEMA concerned itself only with foreign trade questions, such as the drafting of mutually compatible trade agreements and the multilateral settlement of payment balances. Now efforts are being shifted towards preparing the economic, scientific, and technological integration of the area's long-term development plans for 1965 and 1975. CEMA will thereby become not a central planning agency, but a medium for the coordination of national economic planning and activities.

CEMA operates through so-called "permanent commissions for economic and scientific collaboration," in which the ministries and planning authorities of the member countries are represented. These commissions concern themselves with various economic fields, such as engineering, fuel and power, agriculture, and transportation. From time to time plenary meetings of CEMA are held—the latest took place in Prague in December 1958—which make decisions on the proposals of the permanent commissions. These commissions are located in different countries. Thus the permanent commission for the chemical industry is in East Berlin; that for agriculture, in Sofia.

What are CEMA's plans for agriculture? The goals assigned by CEMA's plenary council to the permanent commission for agriculture are very ambitious. It is to make preparations for

coordinating the agricultural long-range plans of the member countries. These plans are to include location of individual branches of agriculture, as well as specialization in individual farm commodities. The commission is to make common plans for the mechanization and electrification of farms. It is also to draw up plans for providing the light industries in individual countries with agricultural raw materials. It is to promote the exchange of technical and scientific know-how, and to unify the statistical and methodological concepts used in each country for measuring farm output and calculating farm income.

In view of the nature and significance of agriculture and the fact that it is everywhere an important source of raw materials, intra-Bloc coordination is and will remain less pronounced in farming than in other economic fields, where far-reaching measures for specialization and division of labor have been taken. It seems, however, that in Eastern Europe outside the Soviet Union the following pattern of production and distribution of farm products is envisaged.

East Germany and Czechoslovakia, though aiming at higher farm output, will not strive to become fully self-sufficient in food. Poland, however, will do so and even endeavor to become a net food exporter. Hungary, Rumania, and Bulgaria appear destined to become the chief exporters of agricultural products. These countries, in which agriculture plays a more important role than in the northern area, will emphasize agricultural production more strongly than in the past, yet without abandoning further industrialization. They will devote a comparatively larger share of investment and manpower to agriculture than the northern countries.

Grain production is to increase throughout the area. But continuous deficits are expected in East Germany and Czechoslovakia which, to an increasing extent, are to be covered by Rumania and Hungary instead of the Soviet Union—at present the chief grain supplier of the area.

Oilseed production, promoted in all these countries, meets internal demand only in Bulgaria. In the future, the production of oilseeds is to increase

everywhere, but it is apparently the southern area where these commodities will be most strongly emphasized.

Sugar beet production is well developed in Czechoslovakia, East Germany, and Poland. Yet the export surpluses of these countries were partly sold outside the area and have not so far covered the deficit of the southern countries. It is apparently an open question how the future sugar surpluses of the northern countries are to be distributed.

Fruit and vegetable production will be most strongly emphasized in Bulgaria. This country will specialize in viticulture and fruit and vegetable growing, reducing for this purpose the area under wheat and cotton.

Livestock production is to reach a point of self-sufficiency in all countries. At present only Poland is a net exporter of livestock products on a large scale. In the future, export surpluses are to be achieved and increased also in the southern countries, particularly in Hungary.

As to industrial goods directly used in agriculture the following division of work has already been decided: Nitrogen fertilizers will be produced by each member of CEMA according to the principle that a commodity should be produced wherever demand as well as favorable supply conditions for it exist. The production of potassium fertilizers is to be concentrated in East Germany and the Soviet Union; that of phosphorous fertilizers in the Soviet Union. With regard to agricultural machinery, it has been reported that self-propelled grain combines are to be manufactured by the Soviet Union, East Germany, Hungary, and Poland, but not by Czechoslovakia, which will concentrate on flax combines. Refrigerator trains will be manufactured only by East Germany.

Also affecting agriculture are the plans for the joint utilization of the Danube water power by Hungary, Bulgaria, and Czechoslovakia as well as plans for the common use of electrical power grids by Poland, East Germany, and Czechoslovakia.

There are indications that through CEMA combined efforts will be made to gain footholds in underdeveloped countries and to undersell western com-

Winter Vegetable Trade

(Continued from page 7)

cucumbers and most of the other vegetables are inspected at the port of entry. Cuban produce, for most of the year, is inspected in Havana by U.S. Federal-State inspectors. All produce must be graded to conform to USDA grade standards.

To a large extent much of the know-how in the Mexican and Cuban vegetable industries stems from the United States. Most of the growers have been either trained here or have worked for a U. S. firm. In fact, in Cuba a large part of the vegetables are grown by U.S. firms or under their supervision. Also, the technical problems of production are usually resolved on the basis of research conducted in the United States; and practically all of the seeds and the machinery plus a good part of the insecticides and fertilizers are imported from us.

U.S. imports from both countries vary widely from one season to the next. The two major factors are U.S. market prices and the volume of production in Mexico and Cuba. If our prices are low, then only the top-quality and best packs are exported. But if prices are high, as in the spring of 1958, a much larger portion of total production is shipped to this country.

But even with this wide yearly variation in exports, the winter vegetable industry in both countries will undoubtedly continue to grow. As the living standards of the two countries improve, larger quantities are being consumed domestically. Yet in both Cuba and Mexico there are sufficient land and water resources and technical skill to produce all the vegetables that can be sold profitably both at home and in the export market.

petitors in other areas. The hope has even been expressed that it might in the long run be possible to influence world prices of certain staple goods.

CEMA's plans will mature only slowly, and one must not expect sensational developments in the near future. In the long run, however, the influence of CEMA not only inside but even outside the area of the member countries may become significant.

South Africa's Agriculture

(Continued from page 14)

declining consumption of corn. The government is the sole importer of rice, taking about 35,000 tons a year. Rice consumption has mounted, and were trade restrictions removed, rice would become a strong competitor of wheat and corn.

Cotton production prior to 1946 was negligible, but by 1957 it had reached an estimated 31,000 bales. The outlook is for further increases, as the Union's textile industry develops and the population grows. A limiting factor is the lack of available irrigation water, so imports over the long run will be required.

The Union's leading oil crops are peanuts and sunflowers. Under the incentive of guaranteed prices, production rose from 8,000 tons of shelled nuts to 162,000 tons between 1946 and 1948. This upsurge in production has practically eliminated imports during the past few years and has made the Union an exporter of peanuts. In 1957, 55,000 tons of peanuts and 23 tons of peanut oil were sold abroad.

The first tobacco produced in South Africa was in 1719. In 1951, the crop amounted to 53 million pounds, and in 1957-58 to 63.7 million. Consumption of all types of tobacco is increasing rapidly, and both the government and the tobacco cooperatives are encouraging greater production. Self-sufficiency is easily in sight, since the only imports of tobacco last year were those taken to fulfill a 2-million-pound import agreement with the Fed-

SOUTH AFRICA'S CONSUMPTION, PRODUCTION, AND IMPORTS OF WHEAT, RICE, TOBACCO, AND COTTON¹

Commodity and year	Unit	Estimated consumption ²	Production	Imports
Wheat:				
1954-55	Mil. bags (200-lb.)	8.8	6.7	2.3
1955-56	do	9.1	8.6	1.7
1956-57	do	9.2	8.9	.2
1957-58 ³	do	9.9	8.5	.1
1958-59 ³	do	10.2	7.0	
Rice:				
1954-55	1,000 s. t.	34.0	5.7	32.5
1955-56	do	36.0	6.0	34.8
1956-57	do	36.0	5.0	34.2
1957-58 ²	do	37.0	4.0	38.0
Tobacco:				
1954-55	Mil. lb.	48.9	30.2	11.4
1955-56	do	54.1	43.9	19.1
1956-57	do	53.5	53.0	6.1
1957-58 ²	do	56.1	63.7	2.3
Cotton:				
1954-55	1,000 bales (500-lb.)	40.0	32.7	16.0
1955-56	do	50.0	28.0	34.6
1956-57	do	60.0	31.0	45.6
1957-58 ²	do	60.0	32.0	40.0

¹ Rice and cotton import figures by calendar year.

² Estimate.

³ Forecast.

eration of Rhodesia and Nyasaland.

Sugar in South Africa was first extracted in the Natal Province in 1852. Over the last 20 years, production has practically doubled; it now stands at around 1 million tons, with annual consumption at about 680,000 tons. New areas are being planted in sugar, and additional sugar mills are being built to stimulate further production for export markets.

Livestock

Livestock numbers have varied with general economic conditions during the past 20 years. Since 1950, the cattle population has averaged about 7 million head, wooled sheep have increased from 26 million to 33 million, but hogs have declined from 1.3 million to 1.1 million.

Wool is the Union's largest agricultural export commodity, and is second to gold in total export value. In 1956-57, the annual wool clip was 302 million pounds, with a value of \$201 million (in 1946 it was only \$30 million). Last year, drought reduced the clip, but higher production is expected unless lower prices put on the brakes, which appears likely.

Besides wool, the major livestock export products are hides and skins of cattle, sheep, and goats, which amounted to 75 million pounds in 1957. In that same year, beef and veal exports totaled 20 million pounds, which was a broad jump from 1.7 million pounds in 1950. Butter and egg exports have increased recently too.

As to livestock imports, South Africa buys slaughtered cattle, the bulk coming from South-West Africa. In recent years, large amounts of inedible animal fats—largely tallow—have been imported annually.

Major Crop Imports

The Union's major agricultural imports have been wheat, rice, tobacco, and cotton, and of these only tobacco appears to be falling off. In the 4-year period from 1954-55 to 1957-58, cotton made the biggest gain by jumping from 16,000 bales to 40,000 bales. Rice moved upward from 32,500 short tons to 38,000 tons. While wheat imports dropped in 1957 and 1958, they are expected to increase in the current season to about 2.5 million bags.



Panama Promoting Exports Of Cattle and Beef to U.S.

U.S. approval last fall of Panama's meat inspection system should enable Panama to promote its cattle and beef exports to this country. Live cattle cannot be sent here, however, because of the presence of fever ticks in Panama.

Panama's cattle industry has developed rapidly in the past 7 years. Beef cattle were first exported in 1955. By 1957 local supplies had risen to the point where imports of chilled or frozen beef were banned. According to some sources, Panama's cattle numbers are now estimated at about a million head—or more than 1 head per person.

Exports have been subsidized by the Institute for Economic Development since February 1957. An original fund of \$20,000 for this purpose was maintained by assessing cattle raisers \$1 per head on all cattle slaughtered. Subsidies between February 1957 and April 1958 amounted to over \$25,600 on 1,869 head of cattle exported. In June 1958 the Institute announced that it could not continue to subsidize expanding exports and a new Institute—the National Livestock Institute—was formed. Its expenses are to be covered by an additional tax of \$1 for each steer and 50 cents for each cow slaughtered. Export subsidy payments will be the new Institute's top priority.

Japan Buys First Wheat From Russia

Japan, which in 1957-58 was the leading dollar market for U.S. wheat, is making a trial purchase of semihard wheat from the Soviet Union. The shipment—the first ever imported from Russia by Japan—will be Ukrainian 1958 wheat and will amount to 2,000 metric tons. The wheat is scheduled to arrive in Japan in March.

New Zealand Eases Restraints Against Dollar Purchases

New Zealand's 1959 import licensing schedule lessens discrimination against dollar purchases, but substantially reduces overall imports. Under the new schedule emphasis is placed on global quotas. Commodities may be bought from any source, including the dollar area, providing price and quality are competitive.

A shift in New Zealand's balance of payments situation is the main reason for this changing emphasis. The country's balance of payments deficit with the sterling area nearly trebled during the 1957-58 season, while transactions with the dollar area in the same period netted a surplus equal to \$17 million. This surplus resulted from increased trade with the United States; meat sales alone to the United States rose 450 percent in 1957-58 (October-August) compared with the same period a year earlier.

New Tobacco Equipment May Change Ghana's Imports

The installation of new tobacco shredding equipment will enable Ghana to import leaf tobacco directly. Heretofore Ghana's cigarette manufacturer has imported a shredded blend of U.S., Indian, and Rhodesian leaf from the United Kingdom. In 1957 this amounted to 2.2 million pounds and, in addition, about 300,000 pounds was imported from Nigeria. Most of the Nigerian imports, however, consisted of Ghana leaf sent to Nigeria for processing.

Ghana's cigarette leaf requirements—currently about 2.5 million pounds a year—are expected to be up to 5 million pounds annually by 1962. The country is promoting domestic production in the hope of supplying about half its needs. Production in 1957 was only slightly above 200,000 pounds.

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Guatemala Tightens Licensing Of Many Import Commodities

Guatemala has placed 55 groups of import items under licensing requirements to counteract the recent boom in foreign purchases caused by anticipation of future duty increases.

Items placed under license are divided into four classes and will be licensed on the basis of verified 1957 imports. Lard and certain textiles, listed as Class A, will be licensed quarterly for the same amounts as in 1957. Cosmetics, textiles, and clothing—Class B—will be limited to 75 percent. Bacon and ham, smoked and cured meats, sausages, margarine, soups and sauces, preserved and pickled vegetables and fruits, chocolate, candies, jellies, and specified clothing articles, all in Class C, will be licensed in amounts up to 50 percent. And imports of automobiles—Class D—will also be curbed.

Ceylon Turning To China For More Rice Imports

Ceylon bought 61 percent of its rice imports from Communist China in the first three-quarters of 1958 compared with 25 percent in the corresponding

period of 1957. At the same time shipments from Burma and Thailand fell off sharply, while South Vietnam supplied a significant amount for the first time since 1952. By mid-November 1958, Ceylon had bought over a billion pounds of rice—661 million from Communist China, 403 million from Burma, and 34 million from other countries.

A Chinese trade delegation visited Ceylon at the end of the year to discuss prices and amounts of rice, rubber, and other products to be exchanged this year—the second one of the second 5-year pact between the two countries.

India Eases Cotton Export Restrictions

India cut its cotton export tax in half in the last part of 1958 and released an additional 250,000 bales (400 pounds gross) for export. Cotton released for export in the 1958-59 season (August-July) now stands at 646,000 bales. India's production prospects are up, while consumption is likely to be down. Therefore the country will have more cotton for export and have to seek markets for its short-staple types.

More U. S. Cotton Sold to Hong Kong

Hong Kong bought 69 percent more U.S. cotton during the 1957-58 season than in the preceding year. The total—122,000 bales (500 pounds gross)—represents 46 percent of all Hong Kong's cotton imports, in contrast to only 28 percent in 1956-57.

Hong Kong's cotton imports last season reached a record high—267,000 bales—and consumption also set a record. A further increase of about 5 percent in both imports and consumption is expected during 1958-59.

Finland Sells Russian Wheat To Switzerland for Apples

Finland is shipping 10,000 metric tons of Russian wheat to Switzerland in return for 2,000 tons of Swiss table apples. Finland got the wheat from Russia originally in exchange for Finnish butter.

Under Finland's contract with Russia it is obligated to take 100,000 tons of wheat in exchange for butter in the year ending June 1959. But Finland's grain storage facilities are glutted and it is having difficulty storing the Russian wheat.